

**CITY OF GRAND LEDGE
DOWNTOWN DEVELOPMENT
AUTHORITY**

Grand Ledge, Michigan

FINANCIAL STATEMENTS

**For the Year Ended
June 30, 2008**



REHMANN ROBSON

Certified Public Accountants

City of Grand Ledge Downtown Development Authority

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Certified Public Accountants

A member of THE REHMANN GROUP



INDEPENDENT AUDITORS' REPORT

October 9, 2008

Board of Directors
City of Grand Ledge Downtown Development Authority
Grand Ledge, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of the **CITY OF GRAND LEDGE DOWNTOWN DEVELOPMENT AUTHORITY, a component unit of the City of Grand Ledge, Michigan**, as of and for the year ended June 30, 2008, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the **City of Grand Ledge Downtown Development Authority** at June 30, 2008, and the respective changes in financial position thereof, and the budgetary comparison for the Special Revenue Fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The City has not presented Management's Discussion and Analysis as required supplementary information. The Governmental Accounting Standards Board has determined that such information is necessary to supplement, although not required to be part of, the basic financial statements.

BASIC FINANCIAL STATEMENTS

City of Grand Ledge Downtown Development Authority
Statement of Net Assets and
Governmental Funds Balance Sheet
June 30, 2008

| | <u>Special Revenue</u> | <u>1994 Debt Service</u> | <u>2001 LTGO Parking Lot Debt Service</u> | <u>Capital Projects</u> | <u>Totals Governmental Funds</u> | <u>Adjustments</u> | <u>Statement of Net Assets</u> |
|---|----------------------------|------------------------------|---|-----------------------------|--|-----------------------|------------------------------------|
| <u>ASSETS</u> | | | | | | | |
| Assets | | | | | | | |
| Cash and cash equivalents | \$ 173,442 | \$ 39,899 | \$ 9,500 | \$ 314,301 | \$ 537,142 | \$ - | \$ 537,142 |
| Capital assets not being depreciated | - | - | - | - | - | 116,132 | 116,132 |
| Capital assets being depreciated, net | - | - | - | - | - | 1,181,169 | 1,181,169 |
| Total assets | <u>\$ 173,442</u> | <u>\$ 39,899</u> | <u>\$ 9,500</u> | <u>\$ 314,301</u> | <u>\$ 537,142</u> | <u>1,297,301</u> | <u>1,834,443</u> |
| Liabilities | | | | | | | |
| Accounts payable | \$ 1,642 | \$ - | \$ - | \$ 12,000 | \$ 13,642 | - | 13,642 |
| Salaries payable | 736 | - | - | - | 736 | - | 736 |
| Accrued interest payable | - | - | - | - | - | 23,651 | 23,651 |
| Long-term liabilities: | | | | | | | |
| Due within one year | - | - | - | - | - | 372,700 | 372,700 |
| Due in more than one year | - | - | - | - | - | 2,662,700 | 2,662,700 |
| Total liabilities | 2,378 | - | - | 12,000 | 14,378 | 3,059,051 | 3,073,429 |
| Fund balances | | | | | | | |
| Unreserved, undesignated | 171,064 | 39,899 | 9,500 | 302,301 | 522,764 | (522,764) | - |
| Total liabilities and fund balances | <u>\$ 173,442</u> | <u>\$ 39,899</u> | <u>\$ 9,500</u> | <u>\$ 314,301</u> | <u>\$ 537,142</u> | | |
| Net assets | | | | | | | |
| Invested in capital assets, net of related debt | | | | | | 367,301 | 367,301 |
| Restricted for debt service | | | | | | 49,399 | 49,399 |
| Restricted for capital projects | | | | | | 302,301 | 302,301 |
| Unrestricted (deficit) | | | | | | (1,957,987) | (1,957,987) |
| Total net assets (deficit) | | | | | | <u>\$ (1,238,986)</u> | <u>\$ (1,238,986)</u> |

The accompanying notes are an integral part of these financial statements.

City of Grand Ledge Downtown Development Authority
Statement of Activities and
Governmental Fund Revenues, Expenditures
and Changes in Fund Balances
For the Year Ended June 30, 2008

| | <u>Special Revenue</u> | <u>1994 Debt Service</u> | <u>2001 LTGO Parking Lot Debt Service</u> | <u>Capital Projects</u> | <u>Totals Governmental Funds</u> | <u>Adjustments</u> | <u>Statement of Activities</u> |
|---|----------------------------|------------------------------|---|-----------------------------|--|-----------------------|------------------------------------|
| Revenues | | | | | | | |
| Taxes | \$ 1,178,689 | \$ - | \$ - | \$ - | \$ 1,178,689 | \$ - | \$ 1,178,689 |
| Interest | 11,314 | 10,639 | 2,280 | 10,500 | 34,733 | - | 34,733 |
| Other | 10,048 | - | - | - | 10,048 | - | 10,048 |
| Total revenues | <u>1,200,051</u> | <u>10,639</u> | <u>2,280</u> | <u>10,500</u> | <u>1,223,470</u> | <u>-</u> | <u>1,223,470</u> |
| Expenditures / expenses | | | | | | | |
| Economic development | 507,718 | - | - | - | 507,718 | 70,883 | 578,601 |
| Capital outlay | - | - | - | 37,976 | 37,976 | (33,527) | 4,449 |
| Debt service: | | | | | | | |
| Principal | - | 306,750 | 50,000 | - | 356,750 | (356,750) | - |
| Interest and fiscal charges | - | 112,835 | 45,269 | - | 158,104 | (2,615) | 155,489 |
| Total expenditures / expenses | <u>507,718</u> | <u>419,585</u> | <u>95,269</u> | <u>37,976</u> | <u>1,060,548</u> | <u>(322,009)</u> | <u>738,539</u> |
| Revenues over (under) expenditures/expenses | <u>692,333</u> | <u>(408,946)</u> | <u>(92,989)</u> | <u>(27,476)</u> | <u>162,922</u> | <u>322,009</u> | <u>484,931</u> |
| Other financing sources (uses) | | | | | | | |
| Transfers in | - | 419,639 | 95,270 | 225,000 | 739,909 | (739,909) | - |
| Transfers out | (739,909) | - | - | - | (739,909) | 739,909 | - |
| Transfers to primary government | (12,000) | - | - | - | (12,000) | 12,000 | - |
| Total other financing sources (uses) | <u>(751,909)</u> | <u>419,639</u> | <u>95,270</u> | <u>225,000</u> | <u>(12,000)</u> | <u>12,000</u> | <u>-</u> |
| Net changes in fund balances / net assets | <u>(59,576)</u> | <u>10,693</u> | <u>2,281</u> | <u>197,524</u> | <u>150,922</u> | <u>334,009</u> | <u>484,931</u> |
| Fund balances/net assets (deficit) | | | | | | | |
| Beginning of year | <u>230,640</u> | <u>29,206</u> | <u>7,219</u> | <u>104,777</u> | <u>371,842</u> | <u>(2,095,759)</u> | <u>(1,723,917)</u> |
| End of year | <u>\$ 171,064</u> | <u>\$ 39,899</u> | <u>\$ 9,500</u> | <u>\$ 302,301</u> | <u>\$ 522,764</u> | <u>\$ (1,761,750)</u> | <u>\$ (1,238,986)</u> |

The accompanying notes are an integral part of these financial statements.

City of Grand Ledge Downtown Development Authority
Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
Special Revenue Fund
For the Year Ended June 30, 2008

| | <u>Original Budget</u> | <u>Amended Budget</u> | <u>Actual</u> | <u>Actual Over (Under) Final Budget</u> |
|----------------------------------|----------------------------|---------------------------|-------------------|---|
| Revenues | | | | |
| Taxes | \$1,105,922 | \$1,105,922 | \$1,178,689 | \$ 72,767 |
| Interest | 6,000 | 6,000 | 11,314 | 5,314 |
| Other | 9,000 | 9,000 | 10,048 | 1,048 |
| | <u>1,120,922</u> | <u>1,120,922</u> | <u>1,200,051</u> | <u>79,129</u> |
| Expenditures | | | | |
| Economic development | 316,328 | 662,757 | 507,718 | (155,039) |
| | <u>804,594</u> | <u>458,165</u> | <u>692,333</u> | <u>234,168</u> |
| Other financing uses | | | | |
| Transfers out | 739,909 | 739,909 | 739,909 | - |
| Transfers to primary government | 12,000 | 12,000 | 12,000 | - |
| | <u>751,909</u> | <u>751,909</u> | <u>751,909</u> | <u>-</u> |
| Net changes in fund balance | 52,685 | (293,744) | (59,576) | 234,168 |
| Fund balance, beginning of year | 230,640 | 230,640 | 230,640 | - |
| Fund balance, end of year | <u>\$ 283,325</u> | <u>\$ (63,104)</u> | <u>\$ 171,064</u> | <u>\$ 234,168</u> |

The accompanying notes are an integral part of these financial statements.

City of Grand Ledge Downtown Development Authority

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Grand Ledge Downtown Development Authority (the “Authority” or “DDA”) was established pursuant to Public Act 197 of 1975, as amended. The Authority’s purpose is to revitalize and plan for the controlled development of the Grand Ledge downtown business district.

Reporting Entity – These financial statements present the financial position and the results of operations of the Authority. The DDA is a discretely presented component unit of the City of Grand Ledge, Michigan (the “City” or “primary government”) and its financial statements are an integral part of that reporting entity because the City has the ability to significantly influence its operations and has accountability for fiscal matters. The Authority operates under the supervision of a Citizen’s Advisory Committee appointed by the City Council.

Authority-wide and Fund Financial Statements – As permitted by GASB Statement No. 34, the Authority uses an alternative approach reserved for single program governments to present combined authority-wide and fund financial statements by using a columnar format that reconciles individual line items of fund financial data to authority-wide data in a separate column. Accordingly, this is presented in the Statement of Net Assets and Governmental Funds Balance Sheet and the Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balances. Major individual governmental funds are reported as separate columns in the aforementioned financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation – The authority-wide financial information is reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial information is reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Authority considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

The Authority reports the following major governmental funds:

- Special Revenue Fund
- Debt Service Funds:
 - 1994 Debt Service
 - 2001 LTGO Parking Lot
- Capital Projects Fund

The *special revenue fund* accounts for revenue sources that are legally restricted to expenditures for the Authority’s operations (excluding debt service).

Debt service funds account for the accumulation of resources for, and the payment of, interest and principal on bonded debt.

City of Grand Ledge Downtown Development Authority

Notes to Financial Statements

The *capital projects fund* account for the use of resources, primarily bond proceeds, in constructing or acquiring capital assets, including buildings and land improvements.

As a general rule the effect of interfund activity, if any, has been eliminated from the authority-wide financial statements.

Capital Assets – Capital assets, which include property and equipment, are reported in the government-wide financial statements. The Authority defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets, if any, are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Infrastructure assets (e.g., roads, bridges, curbs, sidewalks, storm sewers and similar items), along with water and wastewater subsystems, constructed by the Authority, if any, are not recorded as the Authority's capital assets, even though the Authority may be obligated to repay the debt issued to finance the related projects. Such capital assets become the property of the City when they are placed into service and, accordingly, are reported in the City's capital assets.

The Authority's capital assets are depreciated using the straight-line method over the following estimated useful lives:

| <u>Assets</u> | <u>Years</u> |
|-------------------|--------------|
| Land improvements | 25 |

Long-term Obligations – In the authority-wide financial statements, long-term debt is reported as a liability. Bond discounts, premiums, issuance costs and refunding losses are deferred and amortized over the life of the applicable bonds using the effective interest method. Bonds payable are reported net of the applicable bond discount, premium and deferred loss. Bond issuance costs are reported as deferred charges.

In the fund financial statements, governmental fund types recognize bond discounts, premiums and issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Discounts or premiums on debt issuances are reported as other financing uses or sources, respectively. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

City of Grand Ledge Downtown Development Authority

Notes to Financial Statements

Budgetary Information – The special revenue fund is under formal budgetary control and its budget is prepared on the same modified accrual basis used to reflect actual results. The Authority follows the City budget process in establishing the budgetary data reflected in the financial statements:

- Prior to the first regular Council meeting in April, the Authority submits to City Council a proposed budget for the fiscal year beginning the following July 1. The budget includes proposed expenditures and the means for financing them.
- A public hearing is conducted to obtain taxpayer comments.
- Not later than the first Council meeting in June, the budget is legally enacted through passage of a resolution.
- The budget is adopted on a basis consistent with generally accepted accounting principles. Budgeted amounts are as originally adopted or amended by the City Council during the year. Individual amendments were not material in relation to the original appropriations.

2. CASH AND CASH EQUIVALENTS

The Authority's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the Authority to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers acceptances, and mutual funds composed of otherwise legal investments.

The City maintains common checking accounts for substantially all funds, including the Authority's. Each fund's share of the aggregate cash balance is reported separately. Surplus funds are invested throughout the year. The City allocates interest earnings to the funds in proportion to the average cash balance of each fund.

At year-end, the carrying amount and the bank balance of the Authority's deposits were \$537,142. Cash categorizations are included in the City's financial statements to give an indication of the aggregate level of risk at year-end. It is not feasible to allocate the level of risk to the Authority.

City of Grand Ledge Downtown Development Authority

Notes to Financial Statements

3. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2008 was as follows:

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|---|------------------------------|---------------------------|--------------------|----------------------------|
| Capital assets not being depreciated | | | | |
| Land | \$ 116,132 | \$ - | \$ - | \$ 116,132 |
| Capital assets being depreciated | | | | |
| Land improvements | 1,438,557 | 33,527 | - | 1,472,084 |
| Accumulated depreciation | <u>(232,031)</u> | <u>(58,884)</u> | <u>-</u> | <u>(290,915)</u> |
| Capital assets being depreciated, net | <u>1,206,526</u> | <u>(25,357)</u> | <u>-</u> | <u>1,181,169</u> |
| Total capital assets, net | <u>\$ 1,322,658</u> | <u>\$ (25,357)</u> | <u>\$ -</u> | <u>\$ 1,297,301</u> |

4. LONG-TERM DEBT

Long-term debt activity for the year ended June 30, 2008 was as follows:

| | <u>Interest Rates</u> | <u>Principal Outstanding</u> |
|----------------------------------|---------------------------|----------------------------------|
| Bonds: | | |
| 1998 development refunding | 3.9-4.850% | \$ 1,980,000 |
| 2001 development | 4.0-4.875% | 930,000 |
| | | <u>2,910,000</u> |
| Notes: | | |
| 1998 purchase contract (Larson) | 5.0% | 81,200 |
| 1998 purchase contract (Kingory) | 5.0% | 44,200 |
| | | <u>125,400</u> |
| | | <u>\$ 3,035,400</u> |

City of Grand Ledge Downtown Development Authority

Notes to Financial Statements

The following is a summary of the changes in long-term debt for the year ended June 30, 2008:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u> | <u>Due Within One Year</u> |
|--------------------------|------------------------------|--------------------|--------------------------|----------------------------|--------------------------------|
| General obligation bonds | \$ 3,245,000 | \$ - | \$ 335,000 | \$ 2,910,000 | \$ 350,000 |
| Purchase agreements | 147,150 | - | 21,750 | 125,400 | 22,700 |
| | <u>\$ 3,392,150</u> | <u>\$ -</u> | <u>\$ 356,750</u> | <u>\$ 3,035,400</u> | <u>\$ 372,700</u> |

The annual requirements to pay principal and interest are as follows:

| <u>Year Ended June 30</u> | <u>Bonds</u> | | <u>Notes</u> | |
|-----------------------------------|----------------------------|--------------------------|--------------------------|-------------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> |
| 2009 | \$ 350,000 | \$ 135,646 | \$ 22,700 | \$ 6,270 |
| 2010 | 350,000 | 120,034 | 23,800 | 5,134 |
| 2011 | 350,000 | 104,273 | 25,000 | 3,946 |
| 2012 | 345,000 | 88,239 | 26,250 | 2,696 |
| 2013 | 345,000 | 72,293 | 27,650 | 1,382 |
| 2014-2018 | 900,000 | 158,471 | - | - |
| 2019-2021 | 270,000 | 26,813 | - | - |
| | <u>\$ 2,910,000</u> | <u>\$ 705,769</u> | <u>\$ 125,400</u> | <u>\$ 19,428</u> |

City of Grand Ledge Downtown Development Authority

Notes to Financial Statements

5. ADJUSTMENTS

Following is an explanation of the adjustments between the governmental funds balance sheet and the authority-wide statement of net assets, which reconciles fund balances to net assets:

| | |
|----------------------|------------|
| Fund balances | \$ 522,764 |
|----------------------|------------|

Adjustments:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds

| | |
|-----------------------------------|-----------|
| Add – capital assets | 1,588,216 |
| Deduct – accumulated depreciation | (290,915) |

Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds

| | |
|--|-----------------|
| Deduct – long-term liabilities | (3,035,400) |
| Deduct – accrued interest on long-term liabilities | <u>(23,651)</u> |

| | |
|-----------------------------|-------------------------------------|
| Net assets (deficit) | <u><u>\$ (1,238,986)</u></u> |
|-----------------------------|-------------------------------------|

City of Grand Ledge Downtown Development Authority

Notes to Financial Statements

Following is an explanation of the adjustments between the governmental funds statement of revenues, expenditures and changes in fund balances and the authority-wide statement of activities, which reconciles the net change in fund balances to the change in net assets:

| | |
|------------------------------------|-------------------|
| Net change in fund balances | \$ 150,922 |
|------------------------------------|-------------------|

Adjustments:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense

| | |
|-------------------------------|----------|
| Add – capital outlay | 33,527 |
| Deduct – depreciation expense | (58,883) |

Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets

| | |
|---|---------|
| Add – principal payments on long-term liabilities | 356,750 |
|---|---------|

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

| | |
|---|--------------|
| Add – decrease in accrued interest payable on bonds | <u>2,615</u> |
|---|--------------|

| | |
|-----------------------------|---------------------------------|
| Change in net assets | <u><u>\$ 484,931</u></u> |
|-----------------------------|---------------------------------|

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